

SECURITY INFORMATION

ANNEX D

IAC-D-22/1 (Revised)
29 May 1951

TERMS OF REFERENCE FOR THE
ECONOMIC INTELLIGENCE COMMITTEE

1. The Director of Central Intelligence with the concurrence of the members of the IAC has established an Economic Intelligence Committee, on which shall sit designated representatives of those agencies charged with primary responsibility for foreign national security intelligence, i.e., the Departments of the Army, Navy, Air Force, State, the Joint Chiefs of Staff, and the Central Intelligence Agency. Any other agency whose interest or competence may be relevant to the particular problem under examination may be invited also to sit with the Economic Intelligence Committee.
2. The representative from the Central Intelligence Agency shall serve as Chairman of the Economic Intelligence Committee, and he shall supply the secretariat.
3. The Economic Intelligence Committee shall:
 - a. Arrange concerted economic intelligence support, on selected major issues, for studies of interagency interest requested by the Intelligence Advisory Committee, the Joint Chiefs of Staff, etc.
 - b. Arrange for the mobilization of the data and analysis available, relevant to appropriate operating problems of any member agency requesting assistance, or of any other agency dealing with economic security problems, which may request assistance.

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- c. Examine continuing programs of fundamental economic research relating to the national security throughout the United States Government and recommend to the IAC for appropriate action allocation of responsibility for specific fields of inquiry where such allocation appears appropriate.
- d. Review and report to the IAC from time to time, on the pertinence, extent, and quality of the data and analyses available, bearing on the issues analyzed.
- e. Recommend to the IAC for appropriate action priorities and allocation of responsibility for the collection and analysis to fill specific gaps in the economic intelligence needed for national security.
- f. Maintain a continuing review of the foreign economic intelligence activities of the United States Government as they relate to the national security.
- g. Make such special reviews of economic intelligence distribution and processing procedures as may appear useful, and make recommendations for improvement to the Intelligence Advisory Committee, which shall have responsibility for instituting such action as it may judge appropriate.
- h. Prepare coordinated reports which present the best available foreign economic intelligence.
4. In carrying out its responsibilities, the Economic Intelligence Committee may set up such subcommittees and working parties as may be judged necessary.
5. When any member agency is unable to accept a recommendation of the Committee, the matter may be referred to the Intelligence Advisory Committee. All agencies directly concerned shall be asked to sit with the Intelligence Advisory Committee for the consideration of such questions.

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TAB B

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BASIS FOR PROPOSED ALLOCATION OF ECONOMIC
INTELLIGENCE PRODUCTION RESPONSIBILITIES

It is proposed that CIA be assigned responsibility for production of economic intelligence on the Soviet Bloc as a central service of common concern. Other agencies may draw on this intelligence produced by CIA and may produce such additional economic intelligence on the Soviet Bloc as is required to meet their departmental responsibilities. The reasoning behind this proposed allocation is as follows:

1. While it might be possible to separate out some subjects for primary allocation to individual agencies, as a general proposition the numerous subjects requiring economic research are not readily separable as is assumed in the Department of State proposal (TAB A). To the contrary they are most effectively and efficiently handled in an integrated way. To cite one example, a separation of research on the standard of living from research on agriculture, as proposed by the Department of State draft, would yield a distorted, compartmentalized conclusion and would not permit a meaningful analysis of a particular situation. The interrelationship of these two subjects was clearly demonstrated by the recent Malenkov speech and by the related food and living standard problems which prompted the recent outbreaks in East Germany. Another example of the irrationality of separation is found in the close connection of research on government plans and research on sectors of industry. The Soviet practice of giving industrial production data as percentages of planned accomplishment is well known and statistical data on Soviet industry are often presented in relationship to plan goals. Therefore, research on Soviet plans should not be separated from research on sectors of Soviet industry, as proposed in the Department of State draft. Many, many more examples could be given.
2. It is important to have centralized and integrated economic research on this area if the reports and statistical data are to be made reasonably consistent. One of the main problems for the consumer of economic intelligence in Washington is that numerous reports on related subjects contain conflicting data. A trade report, for example, might give one figure for Soviet petroleum exports while a petroleum study might have quite a different figure. Allocating research on international trade to one agency and research on industries such as petroleum to another simply compounds this difficulty. This is simply one example of hundreds that might be cited.
3. Because of the paucity of information caused by Soviet Bloc security restrictions, any meaningful research on the Bloc requires intensive analysis by a large number of highly trained personnel using all sources of information — some of which are highly sensitive. It would not be possible for any single agency to justify hiring the number of personnel

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required to service other agencies solely on the basis of its departmental responsibilities. However, this effort could be justified by ORR/CIA working for all agencies as a service of common concern.

4. As recognized in the statement of "Policies" in the proposed DCID "any agency may make such studies as it believes necessary to supplement intelligence obtained from other agencies in order to fulfill its agency functions. . . ." However, research to meet specific departmental needs is usually designed for a particular purpose and does not provide the detailed intelligence research required by other agencies which may wish to focus the research material on quite different departmental problems. To undertake the depth and breadth of research needed for economic intelligence studies designed to serve more than one agency would require more effort than could be justified by one agency's departmental requirements; and, contrary to NSCID 3, paragraph 1, c (4), would require a departmental intelligence component to develop intelligence in fields outside its dominant interest. For example, certain covert CIA offices require studies of the organization of the Soviet economy that are much more detailed than would ever be provided by DRS/ORR in meeting its departmental responsibilities. If, on the other hand, ORR/CIA were to prepare detailed research papers on this subject as a service of common concern they would not be specifically focused on a departmental problem and would be sufficiently detailed to be useful to a number of consumers intensely interested in this subject including State, Air Force (Air Targets), CIA (ID/P), etc. Such studies would of necessity include: details of ministerial organization; lines of authority; inter-relationships between activities in one ministry (sales, supply, etc.) and between the different ministries; locational aspects; key personnel, etc. This again is only one example of many that might be cited. Very little imagination is required to extend this reasoning to such fields as international trade, economic policies, government budgets, etc.

5. If any agency were to be allocated the primary or dominant interest in subjects such as these, it would be expected to provide detailed research studies on them as a service of common concern to the rest of the community. As noted in the statement of "Policies" in the proposed DCID, "any agency charged with primary responsibility in a particular field....will normally carry out all or most of the research in that field." The Department of State, for example, would require over a hundred professional personnel to undertake the research required to satisfy the needs of all agencies for intelligence production on those subjects for which it would be responsible in the Department of State draft. Moreover, although it is outside the bounds of this intellectual presentation, it is clear from the present mood of Congress that the Department of State cannot expect to augment its economic research staff to this extent. The number of personnel in the IAC agencies today, plus or minus any changes they might reasonably be expected to make, would probably be adequate to meet staff requirements for economic intelligence (including Air Force needs for target studies) if they utilize the results of current and future ORR/CIA research in preparing their

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departmental papers. The accompanying chart presents the findings of an EIC survey of professional personnel engaged in economic research on the Soviet Bloc, effective 1 January 1953. Although the number of professional personnel conducting economic research [REDACTED] it is not believed that the totals of the other agencies have changed significantly.

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6. Points 1 through 5 above argue that CIA should have responsibility for economic intelligence on the Soviet Bloc as a central service of common concern. However, it must be emphasized that this assignment of responsibilities should not preclude research on this subject in the other IAC agencies. It is essential that the other IAC agencies be permitted to do research in this field, because CIA's research effort will not be able to meet all of the needs of other agencies. The Air Targets units in Air Force, for example, require detailed industrial plant analyses and CIA is not prepared to satisfy all Air Force requirements in terms of substantive detail, focus, or timing. Similar situations exist in relation to the requirements of other IAC agencies and these agencies must be authorized to produce supplementary intelligence as required. CIA has developed its research materials on the Soviet Bloc economy to the point where the need for supplementary research by other IAC agencies has been considerably reduced.

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